LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7696
BILL NUMBER: HB 1813

NOTE PREPARED: May 2, 2003
BILL AMENDED: Apr 26, 2003

SUBJECT: Indigent Health Care.

FIRST AUTHOR: Rep. Crawford
FIRST SPONSOR: Sen. Miller

BILL STATUS: Enrolled

FUNDS AFFECTED: **X** **GENERAL**
X **DEDICATED**
X **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill amends various statutes concerning the following; (1) the funding and administration of Medicaid and the Hospital Care for the Indigent (HCI) program; (2) health records; and (3) the governing board of the Marion County Health and Hospital Corporation. The bill repeals the Uninsured Parents program.

Effective Date: July 1, 2003.

Explanation of State Expenditures: *Property Tax Provisions:* The state pays Property Tax Replacement Credits (PTRC) in the amount of 60% of school general fund levies attributable to all property and 20% of the portion of all operating levies (including the remaining 40% of the school GF levy) that are attributable to real property and non-business personal property. Homestead Credits are paid by the state in the amount of 20% of the net property tax due in qualifying funds on owner-occupied residences.

If the HCI levy changes as a result of this bill, then the state's expense for PTRC and Homestead Credits would likewise change. PTRC and Homestead Credits are paid from the Property Tax Relief Fund, which is annually supplemented by the state General Fund. Therefore, any change in PTRC or Homestead Credit payments would ultimately affect the state General Fund. The change in state expense is estimated at a $132,000 reduction in CY 2004, a $1.7 M increase in CY 2005, and a $1.6 M increase in CY 2006.

On a fiscal year basis, the change in state expenditures is estimated at a $44,000 reduction in FY 2004, a $465,000 increase in FY 2005, and a $1.6 M increase in FY 2006. Future expenses depend on the amount of the claims-based levy under this bill for CY 2006 and beyond.

State Agency Provisions: This bill will require the Division of Family and Children to resume eligibility determination for the hospital claims component of the HCI Program. In addition to determining if individuals are financially and medically eligible for the HCI program, the Division will be required to resume receiving and processing HCI hospital claims through the Medicaid billing system in order to determine the amount payable under the Medicaid fee-for-service program. (Eligibility determination and payment of claims for emergency transportation and physician services are currently processed by the Division.) The level of resources required to perform this current level of work is approximately $275,000 annually. Effective July 1, 2003, hospitals must file applications and claims for payment as prescribed by the Division. The Division estimates that an additional $325,000 will be necessary to process these additional claims. The Division funds administrative expenses from the State Hospital Care for the Indigent Fund. This cost is not eligible for federal financial participation (FFP).

The bill specifies how the Division is to pay providers by type of claim and from which dedicated fund. The bill also specifies that all hospital payments are to be made as Medicaid add-on payments before December 15 following the end of the state fiscal year. The bill specifies how the Division is to determine the amount of payments to all provider types for each county. The bill also specifies how the Division is to determine the level of each type of claim that may be reimbursed in the event that the total amount transferred from the county Hospital Care for the Indigent Fund is not sufficient to pay all claims attributable to the county. The bill caps the total amount of all claims that may be paid on a statewide basis .

The bill specifies a calculation to determine the amount of county HCI funds to be transferred to the state HCI Fund. Funds calculated to be necessary for the payment of physicians and emergency transportation providers are to remain in, and be paid from, the state HCI Fund. The state HCI Fund is also the source of funding for the cost of program administration and claims processing expenses. The bill further defines a calculation to determine by county the funds to be transferred to the Medicaid Indigent Care Trust Fund for the payment of hospital claims. This is the source of the funds necessary to provide the nonfederal share of the HCI attributable to Medicaid hospital add-on payments, approximately 38% of the total amount paid. The bill specifies that the remaining 62% of the money transferred to the Medicaid Indigent Care Trust Fund is available first for any additional HCI hospital Medicaid add-on payments that are necessary as a result of a shortages within individual counties of sufficient county HCI funds to reimburse total hospital claims payable attributable to the county. An additional distribution formula provides at least $21.7 M for the Office of Medicaid Policy and Planning to use as the nonfederal match in the Medicaid program. (This $21.7 M is an existing transfer that occurs under current statute; it is not "new money" for the Medicaid program.) Any funds remaining after all HCI hospital claims have been satisfied and the transfer to the state of $21.7 M has been made are available for specified distributions to hospitals as specified. These distributions include reimbursements for disproportionate share hospitals (DSH), certain defined hospitals, and nongovernment-owned hospitals.

Uninsured Parents Program Fund: The bill repeals the state Uninsured Parents Program.

Intergovernmental Transfers: The bill makes revisions to the method of determining hospital payments to the Health and Hospital Corporation, and to other county-owned and municipally owned hospitals that are eligible to make intergovernmental transfers. The bill also provides a method to leverage federal funds to make similar payments to privately owned hospitals if sufficient funding is available.

Explanation of State Revenues: *Property Tax Provisions:* Under this proposal, revenues to the state HCI Fund would be reduced by $561,000 in CY 2004, increased by about $7.0 M in CY 2005, and increased by about $6.8 M in CY 2006. The CY 2005 and CY 2006 revenue increase is the result of this proposal's repeal of a reduction in HCI levies currently scheduled for 2005. Details are discussed below in *Explanation of Local Revenues*.

The change in revenue on a fiscal year basis is estimated at a $258,000 reduction in FY 2004, a $2.9 M increase in FY 2005, and a $6.9 M increase in FY 2006. Future revenues depend on the amount of the claims-based levy under this bill for CY 2007 and beyond.

<u>Explanation of Local Expenditures:</u> This bill increases the compensation for members of the governing board of the Marion County Health and Hospital Corporation to $1,200. The bill increases the additional annual compensation for the chairman of the board to $600 annually. The bill also makes other changes in the operating process of the board.

This bill also makes procedural changes regarding residency requirements and the filling of vacancies. These requirements are not expected to have a fiscal impact.

The bill specifies that on terms and conditions defined by the Board of the Marion County Health and Hospital Corporation, the Corporation may own or operate nursing facilities located inside or outside of the county. The Corporation currently owns and operates nursing facilities. The fiscal impact of this provision would be dependent upon actions taken by the Board of the Corporation.

Background on the Governing Board, Marion County Health and Hospital Corporation: The governing board consists of seven members. The current annual reimbursement is $4,500 based on a rate of $600 per member per year with the chairman receiving an additional $300 per year. This bill will double the reimbursement expenditures. These payments are to be made quarterly from funds appropriated for that purpose in the regular budget of the Health and Hospital Corporation.

<u>Explanation of Local Revenues:</u> *Property Tax Provisions:* Under current law, each county imposes an HCI property tax levy. The levy for each county is increased each year by the statewide average growth quotient. This growth quotient is equal to the six-year average growth in Indiana nonfarm personal income and is the same for all counties. The amount of the HCI tax levy and the tax rate vary by county. Under current law, the CY 2005 HCI property tax levies in each county are scheduled to be reduced by 10%, except in Lake and St. Joseph Counties where the levy will be reduced by $4 M and $1 M, respectively.

These levy reductions are directly tied to implementation of the uninsured parents program (UPP). Under current law, the levies will not be reduced if the UPP is not implemented before July 1, 2005. Implementation of the UPP is contingent upon federal law allowing upper payment limits for medicaid reimbursement to nonstate government owned hospitals at 150% of medicare rates. Federal law does not currently allow reimbursements at 150% and likely will not in the future. While it is probable that the HCI property tax levy reductions will not materialize under current law, this bill eliminates the levy reductions before the current July 1, 2005 deadline for implementation of the UPP.

This proposal would eliminate the language regarding the HCI levy reductions in CY 2005 and implement a new levy structure. Under the new structure, the levies for CY 2004 through CY 2006 would be equal to the previous year's levy increased by the specific county's three-year assessed value growth quotient. Beginning in CY 2007, the levy would be set at the average amount of HCI claims paid in the county in the previous three fiscal years. The 2007 levy would be limited to the 2006 HCI levy increased by the three-year assessed value growth quotient for each county. Beginning in 2008, the levy would be limited to the previous year's levy cap increased by the three-year assessed value growth quotient for each county.

Under the changes made to the levy structure under this proposal, this bill would increase the CY 2004 HCI property tax levy in 17 counties by a total of $36,000 and would reduce the levy in 75 counties by a total of $597,000 for an overall reduction of about $561,000.

This bill would increase the CY 2005 HCI property tax levy in all 92 counties by a total of about $7.0 M by eliminating the currently scheduled reduction and changing the 2004 levy on which the 2005 levy would be based.

The bill would increase the CY 2006 HCI property tax levy in 85 counties by a total of about $6.8 M and would reduce the levy in seven counties by a total of $30,000 for an overall increase of about $6.8 M by eliminating the currently scheduled reduction in 2005 and otherwise changing the 2005 levy on which the 2006 levy would be based.

The bill requires the Division to process qualifying HCI claims for hospital, physician, and emergency transportation services. Each claim is to be assigned to the county of residence of the recipient of the service or, if the individual is not a resident of the state, to the county in which the person became in need of medical care. Not later than October 31 following the end of a state fiscal year, the Division is required to calculate the total amount of approved claims by provider type for each county and notify each county of the total amount of the approved claims. Within three days of the receipt of the notice, counties are required to transfer the lesser of either the total billed HCI claims or the amount on deposit in the county's Hospital Care for the Indigent Fund.

Background on the Governing Board, Marion County Health and Hospital Corporation: The Marion County Health and Hospital Corporation receives revenue from a variety of sources. The main source of revenue is property taxes. A total tax rate of $0.2631 per $100 assessed valuation resulted in a total of $74.5 M in CY 2002. The Corporation received an additional $8.4 M in other revenues for CY 2002, as well.

State Agencies Affected: Family and Social Services Administration, Division of Family and Children and the Office of Medicaid Policy and Planning.

Local Agencies Affected: County and municipal hospitals and emergency transportation providers.

Information Sources: Local Government Database.

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